

competing carriers in addition to the incumbent exchange carrier.³⁹

As USTA's proposal makes clear, the current access framework prevents exchange carriers from responding to customer needs and introducing new services in a timely manner. Thus, exchange carriers are finding their hands tied as they watch competitive providers take customers away. "[I]n some areas, such as LAN interconnection services, CAPs are actually taking the lead and offering services not yet available from incumbent phone companies...The message is clear: Competition in the local loop has finally arrived."⁴⁰ However, the Network World article quoted above points out that competitive access providers were found in many instances to be more responsive to customer requests than exchange carriers because they did not have to deal with regulatory issues and to offer prices as much as fifteen percent lower than the study area wide averaged price exchange carriers are required to offer for an equivalent circuit.

"Additionally, all three major interexchange carriers have displayed a willingness to work with and resell CAP services at customers' requests. Interexchange carriers have recently begun to offer users volume discounts on CAP local access service that

³⁹Briere, D., and Finn, C., "CAPitalizing on Local Access", Network World, September 6, 1993 at 37.

⁴⁰Id.

they resell. That means the interexchange carrier may be able to offer end users a better price on access than they could obtain on their own."⁴¹ The article describes MCI's Access Pricing Plan which offers volume and term discounts for access through either the exchange carrier or selected competitive access providers. This plan provides lower price than exchange carrier access, integrated access across multiple services and end-to-end network management. AT&T has a similar plan.

Competitive access providers are not limiting themselves to large business users in urban areas, but are seeking to expand their customer base. MFS' Intelenet subsidiary has begun a full service telephone company providing both local and long distance service for small to medium-sized businesses in New York City.

Cable television companies are acquiring competitive access providers or are using systems originally built for cable television delivery to carry corporate voice and data traffic. Cable interests now control over fifty percent of competitive access provider revenues.⁴² "The provision of CAP services in even smaller markets is another feature of CATV involvement in the business...Adelphia [Cable Communications] is currently building a fiber network ...throughout Vermont and portions of Eastern New Hampshire...When the network is completed, Adelphia's

⁴¹Id. at 40.

⁴²Huber Report at 2.59.

Hyperion subsidiary will offer a variety of fiber-based high capacity services to business users and long distance carriers".⁴³

Cablevision, its subsidiary Cablevision Lightpath Inc. and AT&T are providing local, long distance and cable service to Long Island University at C. W. Post. The service directs calls from campus over AT&T lines for both domestic and international calling.

In testimony before the Senate Commerce Committee, USTA Chairman Gary McBee provided data on the percentage of access traffic that is exposed to collocators. According to a USTA survey, requests to tariff collocation have been requested regarding 957 exchange carrier central offices. While these offices represent less than fourteen percent of all exchange carrier wire centers, they serve almost eighty percent of the industry's total access traffic.⁴⁴

Finally, as noted above, exchange carriers have already developed a record on the extent of competition in other

⁴³Fahey, M., "Hunting the Hunter", Network World, September 6, 1993 at 42.

⁴⁴Statement of Gary McBee, United States Telephone Association, on S. 1086, before the Senate Commerce Committee, July 14, 1993.

Commission proceedings.⁴⁵ Based on that record, the Commission has already rejected arguments, such as those advanced here, that the Commission delay added pricing flexibility until competition has developed further. "[C]ompetition is already developing relatively rapidly in the urban markets and will only accelerate with the implementation of expanded interconnection. Thus, delay in providing LECs with any additional pricing flexibility appears unwarranted."⁴⁶ Such a record is hardly fictional or imaginary.

D. Competition in the Access Marketplace Will Continue to Grow in the Future.

The Commission certainly expects access competition to continue to grow, in some cases faster than interexchange competition.⁴⁷ In a recent paper released by the Commission's Office of Plans and Policy, the conclusion was reached that a hybrid fiber/coaxial cable architecture will facilitate local competition. "This paper offers evidence for a revision in the long-held beliefs about the limits of competition in local telecommunications. New technological developments such as the hybrid fiber/coaxial cable architecture appear to be increasing the likelihood of local competition. The problem is that at least some of the old regulations and rules--including barriers

⁴⁵Comments of Bell Atlantic at 2 and NYNEX at 3-4.

⁴⁶Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141, Report and Order and Notice of Proposed Rulemaking, 7 FCC Rcd 7369, 7453 (1992).

⁴⁷7 FCC Rcd 7369, 7380.

to entry based upon a presumed natural monopoly--are likely to conflict with the new realities and, therefore, may impede the benefits of local competition."⁴⁸

Further, the Commission's most recent fiber deployment analysis, which lists fiber deployment data and associated information on interexchange carriers, exchange carriers and urban fiber systems (those constructed by competitive access providers) through the end of year 1992, notes that "as the urban fiber systems extend to more cities and attract more customers, they can be expected to selectively impact growth of demand of the local telephone companies".⁴⁹ Cablevision, mentioned above, plans to extend its fiber optic network to within 1000 feet of most homes and businesses in the area it serves. It claims that it will be able to provide such services as medical imaging, telecommuting, video-conferencing, distance learning, video-on-demand and personal communication networks to its serving area.

The Commission has also stated, and the record substantiates this, that personal communications services will likely become a

⁴⁸Reed, D., "The Prospects for Competition in the Subscriber Loop: the Fiber-to-the-Neighborhood Approach", Office of Plans and Policy, Federal Communications Commission, Presented at Twenty-First Annual Telecommunications Research Policy Conference, September 1993.

⁴⁹Kraushaar, J., Fiber Deployment Update, Industry Analysis Division, Federal Communications Commission, April 1993.

competitor of exchange carriers.⁵⁰ AT&T's recent purchase of McCaw Communications will permit AT&T to provide local access to long distance services over a wireless network.

The Commission cannot defer access reform until more markets become competitive and exchange carriers in rural areas lose large customers. The Commission has amassed a significant record on access issues, including competition. It is time to address the issues which have been raised and to establish a framework which will encourage competition to grow in a balanced manner so that incumbent access providers are not disadvantaged. This should be done without further delay.

E. Further Information on the Extent of Competition can be Collected within a Rulemaking Proceeding.

The Commission can add information to the record regarding the extent of access competition within a rulemaking proceeding. However, USTA believes that the Commission should seek such information as soon as possible from those who can best provide it: the competitive access providers, interexchange carriers and others who are providing alternative access services.

⁵⁰Amendment of the Commission's Rules to Establish New Personal Communications Services, GEN Docket No. 90-314, Second Report and Order, released October 22, 1993 at ¶ 112.

VII. CONCLUSION.

Because the future of access reform and incentive regulation seem to be inextricably intertwined, USTA urges the Commission to coordinate both so as to ensure that the results are consistent.⁵¹ Therefore, USTA urges the Commission to commence a rulemaking proceeding on access reform as suggested in these comments and in USTA's Petition and coordinate it with the 1994 price cap review.

Respectfully submitted,

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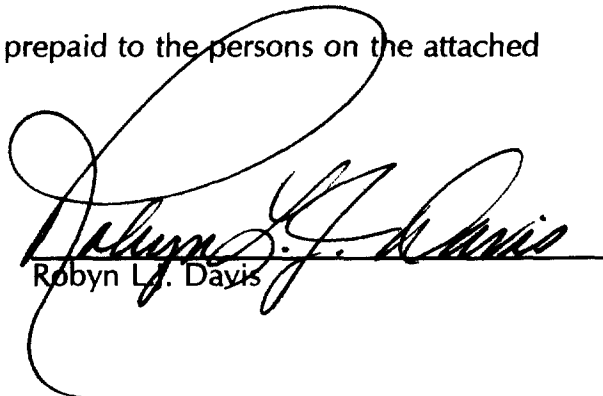
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⁵¹U S WEST at 7.

CERTIFICATE OF SERVICE

I, Robyn L.J. Davis, do certify that on November 16, 1993 copies of the Reply Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.



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